

Credit Reform
Summary of Changes for Case Study
Accounting for Loan Guarantees without Collateral

The following table includes revisions to transactions for the Accounting for Loan Guarantees without Collateral Case Study (dated August 31, 1999). These revisions should be used in conjunction with the original case study until the appropriated changes have been incorporated.

Loan Guarantees without Collateral Case Study Transaction Number and Description	Revised Transaction (New)	Explanation of Revision
<p>4. The agency entered into binding contracts to guarantee \$100,000 of private loans. The OMB subsidy model indicated for this risk category that a 25% subsidy rate, 23% for defaults, 4% for interest supplements, and -2% for subsidy recovery from fees was required. Fees received with the loan applications amounted to \$300 and the agency agreed to pay lenders \$5,000 on disbursement of the loans to buy down interest rates.</p>	<p>Program Account</p> <p><u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u> 2179 Contra liability for subsidy pay to Financing Account 25,000 2170 Subsidy Pay to Financing Acct. 25,000</p> <p>(Section III TC A150)</p> <p>Financing Account</p> <p><u>Budgetary</u> <i>To record resources from fees and subsidy accrual.</i> 4261 Actual Collection of Fees 300 4281 Actual Program Accounts Receivable 25,000 4060 Anticipated Non-Fed. Collection 300 4070 Anticipated Federal Collection 25,000</p> <p>(Section III TC C116 and C208)</p>	<p>To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October, 1999). When loan guarantees have been committed the financing account records a receivable from program account for the subsidy. Entries were modified to reflect the receivable of subsidy.</p> <p>NOTE: The following narrative displayed with the original transaction in the case study should be deleted.</p> <p>The treatment differs from Direct Loans where Subsidy is recorded as a Receivable in the Financing Account when the loan is obligated. Previous guidance from OMB and Treasury required the same method for Loan Guarantees. However, the 1995 OMB A-34 states that Loan Guarantees programs will not record any receivable or payable for Subsidy when loans are obligated by the third party lender. The Subsidy will be recorded and transferred when the guarantee loan is disbursed by the third party lender.</p>

4. Continued	<div> <div>4590 Apportionments – Unavail 300</div> <div>4610 Allotments – Realized Resources 300</div> <div>(Section III TC A122)</div> <div><i>Obligate authority for the interest supplements.</i></div> <div>4610 Allotments – Realized Resources 5,000</div> <div>4801 Unexpended Appropriations – unpaid 5,000</div> <div>(Section III TC B204)</div> <div><u>GLL Memorandum (optional)</u></div> <div>No change to case study.</div> <div><u>Proprietary</u></div> <div><i>To accrue subsidy due.</i></div> <div>1310 Subsidy Rec. from Prog. Acct. 25,000</div> <div>2950 Liab for Subsidy Related to</div> <div>Undisb Loans 25,000</div> <div>(Section III TC C208)</div> <div><i>To record receipt of fees.</i></div> <div>1010 Fund Balance with Treasury 300</div> <div>2320 Deferred Credits-fees 300</div> <div>(Section III TC C116)</div> </div>	
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5. Private lenders notified the agency that the loans in transaction #4 were disbursed and the subsidy was transferred from the program to the financing account. The agency paid the \$5,000 in interest supplements.	<p>Program Account</p> <p><u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u></p> <table><tr><td>6100 Operating Expense/Prog costs-Sub. Def.</td><td>23,000</td></tr><tr><td>6100 Oper. Expense/Prog costs- Int. Supp.</td><td>4,000</td></tr><tr><td>6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees</td><td>2,000</td></tr><tr><td>2179 Contra. Liab. For Sub. Pay to Fin. Acct.</td><td>25,000</td></tr><tr><td>2170 Subsidy Pay to Fin. Account</td><td>25,000</td></tr><tr><td>1010 Fund Balance with Treasury</td><td>25,000</td></tr><tr><td>3100 Unexpended Approp.</td><td>25,000</td></tr><tr><td>5700 Expended Approp.</td><td>25,000</td></tr></table> <p>(Section III TC B105 and B134)</p> <p>Financing Account</p> <p><u>Budgetary</u></p> <table><tr><td>4801 Unexpended Obligation-unpaid</td><td>5,000</td></tr><tr><td>4902 Expended Authority-paid</td><td>5,000</td></tr><tr><td>4271 Actual Prog Acct Sub Coll. Definite Current</td><td>25,000</td></tr><tr><td>4281 Actual Prog Acct Sub Rec. Definite Current</td><td>25,000</td></tr></table> <p>(Section III TC B104 and C126)</p>	6100 Operating Expense/Prog costs-Sub. Def.	23,000	6100 Oper. Expense/Prog costs- Int. Supp.	4,000	6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees	2,000	2179 Contra. Liab. For Sub. Pay to Fin. Acct.	25,000	2170 Subsidy Pay to Fin. Account	25,000	1010 Fund Balance with Treasury	25,000	3100 Unexpended Approp.	25,000	5700 Expended Approp.	25,000	4801 Unexpended Obligation-unpaid	5,000	4902 Expended Authority-paid	5,000	4271 Actual Prog Acct Sub Coll. Definite Current	25,000	4281 Actual Prog Acct Sub Rec. Definite Current	25,000	To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October, 1999). When loan guarantees have been disbursed by the lender, the subsidy is received from the program account to the financing account. Entries were modified to reflect the receivable of subsidy from transaction #4.
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<p>8. The agency entered into binding agreements to guarantee \$40,000 of additional private loans. The OMB subsidy model indicated for this risk category that a 28% subsidy rate, 23% for defaults, 7% for interest supplements, and 2% for subsidy recovery from fees was required. These loans had not been disbursed as of year-end. Fees received with the loan application amounted to \$125. The agency agreed to pay the lenders \$1,800 of interest supplements on disbursements of the loan.</p>	<p>Program Account</p> <p><u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u></p> <table> <tr> <td>2179 Contra liability for subsidy pay to Financing Account</td><td>11,200</td><td></td></tr> <tr> <td>2170 Subsidy Pay to Financing Acct.</td><td></td><td>11,200</td></tr> </table> <p>(Section III TC A150)</p>	2179 Contra liability for subsidy pay to Financing Account	11,200		2170 Subsidy Pay to Financing Acct.		11,200	<p>To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October, 1999). When loan guarantees have been committed the financing account records a receivable from program account for the subsidy. Entries were modified to reflect the receivable of subsidy.</p>																		
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8. Continued	<p>Financing Account</p> <p><u>Budgetary</u> <i>To record resources from fees and subsidy accrual.</i> 4261 Actual Collection of Fees 125 4281 Actual Program Accounts Receivable 11,200 4060 Anticipated Non-Fed. Collection 125 4070 Anticipated Federal Collection 11,200 (Section III TC C116 and C208)</p> <p>4590 Apportionments – Unavail. 125 4610 Allotments – Realized Resources 125 (Section III TC A122)</p> <p><i>Obligate authority for the interest supplements.</i> 4610 Allotments – Realized Resources 1,800 4801 Unexpended Appropriations – unpaid 1,800 (Section III TC B204)</p> <p><u>GLL Memorandum (optional)</u> No change to case study.</p> <p><u>Proprietary</u> <i>To accrue subsidy due.</i> 1310 Subsidy Rec. from Prog. Acct. 11,200 2950 Liab for Subsidy Related to Undisb Loans 11,200 (Section III TC C208)</p> <p><i>To record receipt of fees.</i> 1010 Fund Balance with Treasury 125 2320 Deferred Credits-fees 125 (Section III TC C116)</p>	
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Loan Guarantees without Collateral Case Study Transaction Number and Description	Revised Transactions (New)	Explanation of Revision
18. The agency head allotted the full apportionment and transferred the re-estimate subsidy to the financing account.	<p>Program Account <u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u> 6100 Operating Expense/Program Costs 1,600 1010 Fund Balance with Treasury 1,600 2170 Subsidy Pay to Financing Account 1,600 6800 Future Funded Expenses 1,600 3100 Unexpended Appropriation 1,600 5700 Appropriations Used 1,600</p> <p>(Section III TC B106, B324 and B134)</p> <p>Financing Account No change to case study.</p>	To comply with the transactions in Section III of the TFM for the SGL. Reverse account 6800 (Future Funded Expenses) at the beginning of the fiscal year and record account 6100 (Operating Expense/Program Costs).
21. The private loans with a guarantee commitment that had not been disbursed by the lender, as of the end of year 1 were disbursed and the accrued subsidy was transferred to the financing account. The financing account paid the \$1,800 in interest supplements to the private lender as agreed to ensure the favorable loan terms for the borrower.	<p>Program Account <u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u> 6100 Operating Expense/Prog costs-Sub. Def. 9,200 6100 Oper Expense/Prog costs- Int. Supp 2,800 6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees 800 2179 Contra Liab. for Subs. Pay. to Financing Account 11,200</p> <p>2170 Subsidy Pay to Fin. Account 11,200 1010 Fund Balance with Treasury 11,200 3100 Unexpended Approp. 11,200 5700 Expended Approp. 11,200</p> <p>(Section III TC B105 and B134)</p>	To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October, 1999). When loan guarantees have been disbursed by the lender, the subsidy is received from the program account to the financing account. Entries were modified to reflect the receivable of subsidy from transaction #8.

21. Continued.	<p>Financing Account</p> <p><u>Budgetary</u></p> <table> <tr> <td>4801 Unexpended Obligation-unpaid</td><td>1,800</td><td></td></tr> <tr> <td>4902 Expended Authority-paid</td><td></td><td>1,800</td></tr> <tr> <td>4271 Actual Prog Acct Sub Coll.</td><td></td><td></td></tr> <tr> <td> Definite Current</td><td>11,200</td><td></td></tr> <tr> <td>4281 Actual Prog Acct Sub Rec. Definite</td><td></td><td></td></tr> <tr> <td> Current</td><td></td><td>11,200</td></tr> </table> <p>(Section III TC B104 and C126)</p> <p><u>GLPO Memorandum (optional)</u></p> <p>No change to case study.</p> <p><u>Proprietary</u></p> <table> <tr> <td>1010 Fund Balance with Treasury</td><td>11,200</td><td></td></tr> <tr> <td>2180 Loan Guarantee Liability</td><td></td><td>11,200</td></tr> <tr> <td>2320 Deferred Credits – Fees</td><td>125</td><td></td></tr> <tr> <td>2180 Loan Guarantee Liability</td><td></td><td>125</td></tr> <tr> <td>2180 Loan Guarantee Liability</td><td>1,800</td><td></td></tr> <tr> <td>1010 Fund Balance with Treasury</td><td></td><td>1,800</td></tr> <tr> <td>2950 Liability for Sub. Related to</td><td></td><td></td></tr> <tr> <td> Undisb. Loans</td><td>11,200</td><td></td></tr> <tr> <td>1310 Accounts Receivable</td><td></td><td>11,200</td></tr> </table> <p>(Section III TC B104, C118 and C126)</p>	4801 Unexpended Obligation-unpaid	1,800		4902 Expended Authority-paid		1,800	4271 Actual Prog Acct Sub Coll.			Definite Current	11,200		4281 Actual Prog Acct Sub Rec. Definite			Current		11,200	1010 Fund Balance with Treasury	11,200		2180 Loan Guarantee Liability		11,200	2320 Deferred Credits – Fees	125		2180 Loan Guarantee Liability		125	2180 Loan Guarantee Liability	1,800		1010 Fund Balance with Treasury		1,800	2950 Liability for Sub. Related to			Undisb. Loans	11,200		1310 Accounts Receivable		11,200	
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